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Arizona Corporation Commission

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September 28, 2000

Arizona Corporation Commission
Docket Control
1200 W. Washington Street
Phoenix, AZ 85007-2927
Attn.: Clerk, Docket Control

Re. Docket # T-03882A-00-0356

C.C.: Marta Kalleberg

Dear Clerk,

The following information is in response to Marta Kalleberg's letter of June 12, 2000 (copy enclosed):

- A. Balance sheet (see attachment #1)
- B. Pro forma financial statements for next two years (see attachment #2)
- C. Five year business plan: **Due to the vagaries of the industry, Enkido is unable, at this time, to make a five year projection. However, attached is Enkido's Two Year Revenue Forecast** (see attachment #3)
- D. Plans to provide funding for operations in the State of AZ: **Attached Financial Statement illustrates that Enkido has sufficient revenue necessary for our project. An additional source of funding is customer revenues.** (see attachment #4)
- E. Regarding the inclusion of "business customers throughout the state of Massachusetts": please replace the word "**Massachusetts**" with "**Arizona**".
- F. Detailed description of equipment for fiber infrastructure (see attachment #5)
- G. Enkido's customers will **not** be required to pay advances, prepayments, or deposits.
- H. Enkido's customer service # is **877-4-ENKIDO**.
- I. Insofar as Enkido provides data services only, no alternate service is accessible. However, 24 hour customer service is available at **877-4-ENKIDO**.
- J. Companies whose services Enkido intends to resell: **Sprint; GTE; MCI; US West;**

Time Warner Telecom; Metromedia Fiber Network.

K. States in which Enkido has applied for authorization to provide telecommunications services and services applied for (see attachment # 6)

L. To date, Enkido has no interconnection agreements.

M. States in which Enkido currently offers telecommunications services:
Enkido is presently offering services within the states of California, New York, Virginia, Illinois, Washington, and in the District of Columbia.

N. Petition for competitive classification (see attachment # 7)

The following information is in response to Marta Kalleberg's letter of Sept. 12, 2000:
(copy enclosed)

A. The value of all plant and equipment currently held, intended for use in providing services to Arizona customers: **None. At present we have no immediate plans to provide services in Arizona.**

B. Description of each asset detailed in A: **None.**

C. Projected value of all plant and equipment at the time Company begins serving its first customer in Arizona:

Routers – \$120,000 - 500,000
Switches “ “
Muxes - \$15,000 – 900,000
Dark Fiber - \$2,000 – 10,000 per strand mile

D. Description of each asset in C., its cost and location: **Routers, Switches, Muxes, and Dark Fiber will be obtained at a later date. Therefore, no cost and/or location can be assigned to these assets.**

E. Relationship of plant and equipment to Company's proposed rates: **Prices of equipment and installation of such will greatly influence rates.**

Please contact the undersigned if you have any questions and/or comments.

Respectfully submitted,



Ali Aliabadi
Director of Licensing

AA/lm

Attachment #1

Balance Sheet



Balance Sheet

Being Audited by Ernst & Young Partner, Ronald W. Lahr (732) 516-4799
Six months ended June 30, 2000 and the Period from the
Date of Inception through December 31, 1999

| | June 30, 2000 | December 31, 1999 |
|--|------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 159,948 | \$ 103,072 |
| Restricted Cash | \$ 50,000 | \$ 50,000 |
| Accounts receivable, net of allowance of \$0 | \$ 6,844,045 | |
| Deferred Expenses | \$ 8,695,000 | |
| Other asset | \$ 10,879 | \$ 8,775 |
| Total current assets | \$ 15,759,872 | \$ 161,847 |
| Property and equipment, net | \$ 1,132,054 | \$ 1,090,106 |
| Long-term asset receivable | \$ 76,638,000 | |
| Total assets | \$ 93,529,926 | \$ 1,251,953 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 141,530 | \$ 12,881 |
| Accrued liabilities | \$ 383,946 | \$ 235,778 |
| Contracts payable | \$ 207,096 | |
| Income taxes payable | | \$ - |
| Total current liabilities | \$ 732,572 | \$ 248,659 |
| Long Term Liabilities | | |
| Long term contracts payable | \$ 17,737,891 | \$ - |
| Deferred revenue | \$ 71,565,273 | \$ - |
| Total long term liabilities | \$ 89,303,164 | \$ - |
| Shareholders' equity: | | |
| Common Stock | \$ 50,000 | \$ 50,000 |
| Additional paid-in capital | \$ 2,286,391 | \$ 1,623,963 |
| Retained earnings | \$ 1,157,799 | \$ (670,669) |
| Total shareholders' equity | \$ 3,494,190 | \$ 1,003,294 |
| Total liabilities and shareholders' equity | \$ 93,529,926 | \$ 1,251,953 |

401 Hackensack Ave, 5th Floor, Hackensack, NJ 07601
(201) 487-1805

Attachment #2

Projected Financial Statements



Statement of Earnings

Being Audited by Ernst & Young Partner, Ronald W. Lahr (732) 516-4799
Six months ended June 30, 2000 and the Period from the
Date of Inception through December 31, 1999

| | June 30, 2000 | December 31, 1999 |
|----------------------------|----------------------------|----------------------------|
| Revenue | | |
| Contract Revenue | \$ 3,698,175 | |
| Other Revenue | | \$ 211 |
| | <u>\$ 3,698,175</u> | <u>\$ 211</u> |
| Cost of services | | |
| Cost of services | \$ 1,120,035 | |
| Gross profit | <u>\$ 2,578,140</u> | <u>\$ 211</u> |
| Operating expense | | |
| General and administrative | \$ 260,725 | \$ 316,118 |
| Payroll expense | \$ 324,601 | \$ 268,416 |
| Rent expense | \$ 71,100 | \$ 44,900 |
| Depreciation expense | \$ 94,029 | \$ 41,527 |
| Total operating expenses | <u>\$ 750,455</u> | <u>\$ 670,961</u> |
| Income from operations | \$ 1,827,685 | \$ (670,750) |
| Interest and other | | |
| Interest income | \$ 1,285 | \$ 81 |
| Interest expense | <u>\$ (502)</u> | |
| Net income | <u><u>\$ 1,828,468</u></u> | <u><u>\$ (670,669)</u></u> |

401 Hackensack Ave, 5th Floor, Hackensack, NJ 07601
(201) 487-1805

Attachment # 3

Two Year Revenue Forecast

Enkido Confidential
Don't Forward, Copy or Print!

Enkido
Revenue Forecast

| | Q1 | Q2 | Q3 | Q4 | Q5 | Q6 | Q7 | Q8 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Number of Cities | 7 | 14 | 21 | 30 | 38 | 46 | 55 | 64 |
| Gov't | | | | | | | | |
| Number of Customer sites | 4 | 7 | 8 | 10 | 4 | 4 | 5 | 6 |
| Ave. Site Connection | OC-48 | OC-48 | OC-48 | OC-48 | OC-48 | OC-48 | OC-48 | OC-48 |
| GB/site per month | 3,000 | 6,025 | 3,025 | 4,025 | 800 | 800 | 800 | 1,000 |
| Revenue per site/qr | \$ 60,000 | \$ 80,000 | \$ 120,000 | \$ 120,000 | \$ 120,000 | \$ 120,000 | \$ 120,000 | \$ 120,000 |
| Total | \$ 240,000 | \$ 560,000 | \$ 960,000 | \$ 1,200,000 | \$ 480,000 | \$ 480,000 | \$ 800,000 | \$ 720,000 |
| Commercial | | | | | | | | |
| Video Services | | | | | | | | |
| Number of Customer Sites | 4 | 4 | 6 | 4 | 1 | 1 | 2 | 1 |
| Ave. Connection | DS-3 | DS-3 | DS-3 | OC-3 | OC-3 | OC-12 | OC-12 | D1 |
| GB/line/mo. | 5,000 | 6,000 | 7,000 | 7,000 | 1,000 | 2,000 | 3,000 | 3,500 |
| Revenue/GB | \$ 3.00 | \$ 3.00 | \$ 3.00 | \$ 2.80 | \$ 2.80 | \$ 2.50 | \$ 2.40 | \$ 2.00 |
| Ctrly Additional Revenue | \$ 100,250 | \$ 145,000 | \$ 230,000 | \$ 175,000 | \$ 265,000 | \$ 435,000 | \$ 695,000 | \$ 725,000 |
| Total | \$ 100,250 | \$ 242,744 | \$ 466,675 | \$ 630,008 | \$ 879,256 | \$ 1,292,277 | \$ 1,954,970 | \$ 2,631,095 |
| Fortune-100 | | | | | | | | |
| Number of Customer Sites | 5 | 11 | 28 | 42 | 3 | 4 | 5 | 15 |
| Ave. Connection | DS-3 | DS-3 | DS-3 | DS-3 | OC-3 | OC-3 | OC-3 | OC-3 |
| GB/line/mo. | 3,000 | 2,000 | 3,000 | 1,500 | 200 | 1,000 | 1,000 | 1,000 |
| Revenue/GB | \$ 3.50 | \$ 3.50 | \$ 3.50 | \$ 3.50 | \$ 4.20 | \$ 4.20 | \$ 4.20 | \$ 4.20 |
| Ctrly Additional Revenue | \$ 94,500 | \$ 138,600 | \$ 529,200 | \$ 396,900 | \$ 4,536 | \$ 30,240 | \$ 37,800 | \$ 113,400 |
| Total | \$ 94,500 | \$ 230,738 | \$ 754,169 | \$ 1,132,215 | \$ 1,108,445 | \$ 1,110,974 | \$ 1,121,000 | \$ 1,206,375 |
| Fortune-1000 | | | | | | | | |
| Number of Customer Sites | 7 | 10 | 21 | 37 | 8 | 8 | 3 | 8 |
| Ave. Connection | DS-3 | DS-3 | DS-3 | DS-3 | DS-3 | DS-3 | DS-3 | DS-3 |
| GB/line/mo. | 400 | 400 | 375 | 425 | 150 | 150 | 250 | 250 |
| Revenue/GB | \$ 3.50 | \$ 3.50 | \$ 3.50 | \$ 3.50 | \$ 3.50 | \$ 3.50 | \$ 3.50 | \$ 3.50 |
| Ctrly Additional Revenue | \$ 47,880 | \$ 68,400 | \$ 140,333 | \$ 258,908 | \$ 42,120 | \$ 42,120 | \$ 17,685 | \$ 47,160 |
| Total | \$ 47,880 | \$ 115,083 | \$ 252,538 | \$ 505,132 | \$ 534,624 | \$ 563,379 | \$ 566,979 | \$ 599,965 |
| Local Connections | | | | | | | | |
| Number of Connections per city | 3 | 4 | 5 | 2 | 1 | 1 | 1 | 1 |
| Total Number of Connections | 10 | 42 | 75 | 40 | 40 | 40 | 40 | 55 |
| Ave. Connection | DS-3 | DS-3 | DS-3 | OC-3 | OC-3 | OC-3 | OC-3 | OC-12 |
| Ctrly Revenue/Connection | \$ 7,500 | \$ 6,200 | \$ 6,500 | \$ 12,035 | \$ 12,000 | \$ 13,050 | \$ 13,250 | \$ 26,000 |
| Total | \$ 75,000 | \$ 335,400 | \$ 822,900 | \$ 1,304,300 | \$ 1,784,300 | \$ 2,306,300 | \$ 2,836,300 | \$ 4,266,300 |
| Commercial Total | \$ 317,530 | \$ 923,964 | \$ 2,296,283 | \$ 3,571,656 | \$ 4,306,628 | \$ 5,272,829 | \$ 6,479,249 | \$ 8,703,735 |
| Consumer | | | | | | | | |
| VoIP | | | | | | | | |
| Subscribers / city | 75 | 75 | 100 | 250 | 40 | 50 | 60 | 70 |
| VoIP Additional Revenue | \$ 31,500 | \$ 122,000 | \$ 350,000 | \$ 845,000 | \$ 1,560,000 | \$ 1,860,000 | \$ 3,125,000 | \$ 5,925,000 |
| Total | \$ 31,500 | \$ 150,350 | \$ 485,315 | \$ 1,281,794 | \$ 2,713,605 | \$ 4,302,245 | \$ 6,997,020 | \$ 12,222,318 |
| Video Confer. | \$ 14,400.00 | \$ 100,800 | \$ 201,600 | \$ 453,600 | \$ 648,000 | \$ 820,800 | \$ 993,600 | \$ 1,188,000 |
| Revenue | | | | | | | | |
| | \$ 7,109,532 | \$ 7,109,532 | \$ 7,109,532 | \$ 7,109,532 | \$ 7,109,532 | \$ 7,109,532 | \$ 7,109,532 | \$ 7,109,532 |

Page 2

\$ 61,557,688

Attachment # 4

Financial Statement



Balance Sheet

Being Audited by Ernst & Young Partner, Ronald W. Lahr (732) 516-4799
Six months ended June 30, 2000

**June 30,
2000**

Assets

Current assets:

| | |
|--|----------------------|
| Cash | \$ 159,948 |
| Restricted Cash | \$ 50,000 |
| Accounts receivable, net of allowance of \$0 | \$ 6,844,045 |
| Deferred Expenses | \$ 8,695,000 |
| Other asset | \$ 10,879 |
| Total current assets | <u>\$ 15,759,872</u> |

| | |
|-----------------------------|-----------------------------|
| Property and equipment, net | \$ 1,132,054 |
| Long-term asset receivable | \$ 76,638,000 |
| Total assets | <u><u>\$ 93,529,926</u></u> |

Liabilities and shareholders' equity

Current liabilities:

| | |
|---------------------------|-------------------|
| Accounts payable | \$ 141,530 |
| Accrued liabilities | \$ 383,946 |
| Contracts payable | \$ 207,096 |
| Income taxes payable | |
| Total current liabilities | <u>\$ 732,572</u> |

Long Term Liabilities

| | |
|-----------------------------|----------------------|
| Long term contracts payable | \$ 17,737,891 |
| Deferred revenue | \$ 71,565,273 |
| Total long term contract | <u>\$ 89,303,164</u> |

Shareholders' equity:

| | |
|--|-----------------------------|
| Common Stock | \$ 50,000 |
| Additional paid-in capital | \$ 2,286,391 |
| Retained earnings | \$ 1,157,799 |
| Total shareholders' equity | <u>\$ 3,494,190</u> |
| Total liabilities and shareholders' equity | <u><u>\$ 93,529,926</u></u> |

Attachment # 5

Enkido provides bandwidth connectivity which is usually in two forms: SONET (Synchronous Optical Network) and DWDM (Dense Wavelength Division Multiplexing) both within the metropolitan areas (local loop) and between cities (long-haul) and we provide collocation space for telco equipment. Enkido uses several data transmission technologies such as Asynchronous Transfer Mode (ATM) - both private and switched, Routing, Ethernet, Fast Ethernet, Gigabit Ethernet, Frame Relay, Video, and optical carriers reaching OC3 – OC768.

Service to end users will be accomplished by means of connection from Enkido's network to the end user's premises where such connections exist or can be timely and economically constructed, and through the resale of local exchange and inter-exchange services. Enkido, Inc. will interconnect with other certificated carriers.

Attachment 6

States in which Enkido has applied for authority to provide telecommunications services:

Arizona, California, Colorado, Connecticut, D.C., Delaware, Florida, Georgia, Illinois, Indiana, Maryland, Massachusetts, Michigan, New Jersey, Pennsylvania, Texas, Virginia.

To date, CLEC applications have been approved in New York, Ohio, and Washington.

Services applied for in states cited above:

Enkido, Inc. seeks to provide facilities based and resold local exchange services and inter-exchange services (intra-LATA and inter-LATA toll) to business customers throughout the United States. Facilities-based and resale authority is sought for the entire State of Arizona for inter-exchange services and for local exchange services.

Enkido, Inc. also seeks authority to resell Competitive Local Carriers' local exchange services and Inter-exchange Companies' inter-exchange services to business customers throughout the state. Enkido, Inc. intends to resell local access, exchange service and dedicated inter-exchange carrier services. Statewide resale authority will permit Enkido, Inc. to serve those customers in the state that it would be unable to serve by means of its own facilities-based operations.

Attachment 7

Petition for Competitive Classification

Enkido fills a unique niche in the data communications market. Affordable end-to-end broad bandwidth is crucial for the success of broad band applications, but does not yet exist. Enkido's unique architecture allows us to light fiber at one tenth the cost of traditional architectures and to operate our system at half the expense of existing telcos. Enkido will provide an economic model for service franchises along the information highway.

Enkido is offering applications ranging from OC-768 down to fractional T-1 (currently testing 1.5 Gbps HDTV-over-IP). Enkido purchases and leases dark fiber for both long haul and local loop solutions in order to meet the increasing demand for broad band services. We are the only OC-768 (40 Gbps) carrier in the world today.

Enkido is set to handle the ensuing requirements for data, multimedia, and voice transmission at the speed of light. 20,000 miles of fiber in Enkido's national fiber-optic backbone enables us to provide the necessary bandwidth to meet the growing demand of tomorrow's broad applications.

Competitors include AT&T, Qwest, Nextlink, Time Warner Telecom and Metromedia Fiber Network.. Enkido has no affiliates providing telecommunications services.

Enkido completes the information highway with unique pricing, security, and multi-modal access roads.